Financing – Identify Partners

Description

To help homeowners finance their home energy upgrades, you need to develop relationships with lenders in alignment with your program's goals and objectives. Most residential energy efficiency programs either are not organized to provide loans directly to consumers or need to leverage private capital to support their financing strategy. Lending partners can:

- Provide capital
- Accept loan applications
- Conduct loan pre-approvals
- Underwrite loans
- Originate and fund loans
- Maintain a portfolio of loans to maturity
- Service loans and collect on non-performing loans
- Partner on outreach strategies to identify and reach new customers
- Train contractors to understand financing options and explain loan products to homeowners
- Attract additional sources of capital or recapitalize the energy efficiency loan pool
- Provide program metrics and loan performance data.

This handbook describes the types of lenders that might be able to offer capital and services for your program. It also describes the process for engaging lenders, soliciting partnership proposals, and developing and negotiating a lending agreement.

Lending partners can become an important member of your program team and drive demand for your services. In addition to having the expertise and ability to provide loan products tailored to the needs of your community, some program administrators have found that lending partners can connect programs with potential customers that they might not otherwise have been able to reach. For example, credit unions and banks can market energy efficiency loan products to their customers.

Engaging potential lending partners during the early phases of your program design and development helps you:

- Foster collaboration and create a productive working relationship
- Secure buy-in and participation in your program
- Create a shared understanding of the overall program objectives, roles, and responsibilities
- Develop insights into lenders' objectives and motivations for partnering with your program
- Yield a stronger program with a set of services that effectively and efficiently serve your customers.

Establishing a relationship with one or more lenders involves the following steps:

- Identify lenders
- Engage lenders

Financing

Stages:

- Determine process for soliciting proposals from prospective lending partners
- Evaluate proposals
- Negotiate and execute a lending agreement.

Developing an effective structure for financing activities requires a true partnership between programs, lenders, contractors, and potentially other stakeholders. Entering into a formal partnership with one or more lenders can occur in parallel with **making financing design decisions**. Regardless of order, it is good practice to involve prospective or established lending partners in the **program design process**.

In addition to identifying and partnering with lenders, successful programs engage multiple stakeholders to gain additional input and feedback on their financing strategy. For example, contractors play an important role in how a financing offer is presented to homeowners. In addition, utilities might need to approve work scopes prior to loan or rebate approval. Some programs have also successfully integrated their financing program with utility demand side management activities (e.g., **Mass Save®**). All stakeholders who might be involved in the financing outreach and delivery should be engaged as partners in its design.

Find related information across other program components:

- **Market Position & Business Model – Identify Partners**
  Identify and engage organizational partners in your business model design.
- **Program Design & Customer Experience – Identify Partners**
  Establish relationships with organizations that can help deliver your program by enhancing your knowledge, resources, capabilities and access to customers and contractors.
- **Marketing & Outreach – Identify Partners**
  Establish relationships with organizations that will assist with program marketing and outreach.
- **Contractor Engagement & Workforce Development – Identify Partners**
  Establish relationships with contractors who will deliver program products and services, and with organizations that train and certify workers.

Step-by-Step

Developing strong working relationships with your lending partners will be key if you expect to assist your customers in accessing loans for their home energy upgrades. Entering into a formal partnership with one or more lenders can occur in parallel with **making financing design decisions**. Regardless of order, it is good practice to involve prospective or formal lending partners in the **program design process**.

To establish relationships with lenders that will offer consumer financing and partner with you on marketing efforts, consider the following steps:

Identify lenders

The financial industry includes a range of lending institution types. Each potential lender will have its own goals and unique perspectives. It is up to you to decide the best lending partners for the program that you will be delivering.

To encourage lenders to participate in your program, take their interests, concerns, and regulatory or other constraints (e.g., service area and locations of bank branches, if a local lender) into consideration from the start.

- Community, commercial, regional and national banks are for-profit entities, with regulatory requirements and their own banking policies to which they must adhere.

- Some banks will want to participate in nontraditional lending as a means to support new market opportunities or to comply with regulatory requirements, such as the **Community Reinvestment Act**.
- Community development financial institutions (CDFIs) may offer more flexible loan qualification terms for reaching a wider market, such as low or moderate income households, and may also be restricted by charter to only serving income-eligible customers.
- Credit unions and community banks may be willing to develop more flexible lending products for their customers' needs or to expand their customer base.
- Some banks may be seeking out niche markets, while others may simply want to service loans for a fee and not assume any risks.

Historically, credit unions, community banks, CDFIs, and national lenders already specializing in energy efficiency loans have been more receptive to partnerships with residential energy efficiency programs.

- These institutions may be more interested in developing new products (e.g., unsecured loans backed by credit enhancements) and incorporating non-traditional qualifying criteria (e.g., utility bill repayment history).
- They may be more willing to consider the secondary benefits of attracting new customers such as improving the overall financial health of their local market or cross-selling other financial products.
- Local lenders are often more responsive to their customers' needs and are more inclined to create a niche lending product if they believe it will provide value to their customers.
- They may be mission-driven, and that mission may overlap with energy efficiency lending.

National and regional lenders can offer home energy upgrade loans through conventional products such as home equity loans, home equity lines of credit, or signature loans. Few have offered specific residential energy efficiency loans. Most have typically wanted to see more detailed loan performance data for energy efficiency loan products than what has been available. Additionally, their business models traditionally focus on high volumes, large loan sizes, and low transaction cost products which have not matched well with residential energy efficiency.

Learn more about clean energy lending from the lender perspective in Chapter 8 of DOE's *Clean Energy Finance Guide for Residential and Commercial Building*, "**Clean Energy Lending from the Financial Institution Perspective**."

Michigan Saves Builds Extensive Lender Network

Michigan Saves provided financing for BetterBuildings for Michigan's (now Michigan Saves') home energy upgrade loans through its Home Energy Loan Program (HELP).

To provide homeowners across the state with energy efficiency loans, Michigan Saves established a network of eight authorized lenders - all local credit unions - and provided them with access to loan loss reserves using money it had been granted by the Michigan Public Services Commission and U.S. Department of Energy. The loan loss reserves give lenders a backstop for collections if homeowners offered financing for energy efficiency upgrades default on their loans.

Through the program, homeowners can apply for an unsecured personal loan ranging from $1,000 to $20,000, with flexible terms of up to 10 years through any of the lenders in the Michigan Saves network. From October 2010 to June 2014, Michigan Saves closed nearly 3,600 loans with a total value exceeding $30 million.

EnergyWorks Philadelphia Draws on Established Institutions as Partners

EnergyWorks Philadelphia partnered with **Keystone HELP** to ensure that its customers had access to affordable financing for energy efficient home improvements performed under the program.

Keystone HELP, operated by national lender AFC First Financial, offers a variety of energy efficiency loan products and has extensive program experience as well as a well-established network of contractors. As part of the EnergyWorks program, Keystone HELP provides quick-approval energy efficiency loans, often within two hours of receiving the application. Since 2006, Keystone HELP has issued approximately 11,000 loans valued at more than $75 million. Between late 2010 and the first quarter of 2013, more than 1,000 of those loans were attributable to the EnergyWorks program, representing approximately $9.8 million in loans.

Engage lenders

Communicating with and engaging potential lending partners identified during your **market assessment**—whether it is with a single lender or multiple lenders—can help you gauge the existing level of interest for energy efficiency financing programs in the market. You can also use these conversations to generate interest in your program and encourage potential partners to consider becoming involved. Note that not all lenders may be interested in or willing to engage in energy efficiency financing.

In Their Own Words: Building Relationships with Financial Institutions

Source: U.S. Department of Energy, 2012.

Your program may choose to work with a single lender or with multiple lenders, depending on your **goals and objectives** and the **design decisions** that you make. Programs that choose to work with an individual lender (e.g., a state housing agency, existing energy efficiency financing institution, etc.) usually do so for simplicity, as long as that lender can meet the program's needs. In certain cases, particularly if contractors are facilitating the financing and if the market geography is not too extensive, a single lender may be able to manage the program's loan volume. Single lender programs are typically easier to manage since there would be only one credit enhancement to manage, and activity reports from the one lender would cover the entire program.

Multiple lenders are needed when servicing larger markets, when competition is sought to improve your program's product and service delivery, when multiple products are required (e.g., community development financing institutions to serve low income sector, finance companies to provide dealer loans, etc.), or simply to avoid the appearance of excluding lenders interested in participating. Also, when multiple lenders are engaged, your program has a greater ability to transform the market for energy efficiency in your area by serving multiple market segments, communities, and demographics.

Best Practice: Engage Multiple Lenders

According to a comprehensive **evaluation** of over 140 programs across the country, a greater numbers of lending partners was associated with program success, because homeowners were able to work with a lender they already had a relationship with, lenders competed for business, and lenders cover different populations and/or serve different areas.

During assessment interviews with lenders, explore their level of comfort and risk tolerance in lending to your targeted market(s). Generally, the Vice President or Senior Vice President for home loans or consumer lending products is the best point of contact. Ask prospective partners questions such as:

- Would they limit their role to originating and servicing but not funding loans?
  - In these cases, program administrators will need to use all available public money to fund loans, while contracting with the lender to originate and service the loans. This structure is often found with a revolving loan fund.
- Are they willing to offer unsecured loans for energy efficiency upgrades or will they only consider offering secured loans?
- Do they require a credit enhancement (e.g., loan loss reserve) in order to offer residential energy loans?
  - Credit enhancements can be provided through public capital, utility ratepayer funds, foundation grants, or other sources to entice lenders to enter the market and share the risk of default associated with loans.
- Can they fund loans with their own capital or that of a third party and assume all of the risks of lending?
  - In these instances, there is no need for public capital.

- Are they willing to offer loans using alternative underwriting criteria (e.g., utility repayment history, on-bill repayment, higher debt to income ratios), or more flexible terms (e.g., repayment period, interest rate)?
- Do they have experience working with contactors?
  - Contractors will be key partners for your program. Finding lenders who have experience working with contractors to coordinate loans will be a benefit to your program.

You may also want to get a sense of lenders' expected loan volume or value. For example, if a lender is going to expect a $1 million per month loan portfolio to set up a new loan offering, and your program is just getting started, know this up front so you can set expectations or find another lending partner.

Learn more about clean energy lending from the lender perspective in Chapter 8 of DOE's *Clean Energy Finance Guide for Residential and Commercial Building*, "**Clean Energy Lending from the Financial Institution Perspective**."

Harcourt Brown & Carey Energy and Finance have also developed some tips for **recruiting and procuring financial partners**.

U.S. DOE gave a webcast about **raising investment funds and working with financial institutions**.

For more information on assessing the potential risks of lending products and actions that can be used to address or mitigate these issues, see Chapter 3 of DOE's *Clean Energy Finance Guide for Residential and Commercial Building*, "**Risk Assessment**."

The **loan product(s)** you decide on should be consistent with both potential lending partners' risk tolerance and your program's objectives and budget. Once you have developed a structure that aligns with both parties' interests, you will have a clear picture of how loan products can be structured and will be in a good position to develop a formal partnership with one or more lenders.

Learning from Lenders: Feedback from Lenders in North Carolina

The Environmental Finance Center at the University at the North Carolina at Chapel Hill interviewed different types of lenders in North Carolina to gauge their interest in participating in a federally sponsored loan program and to discuss the roles they could play in helping the program succeed.

Some key findings from the North Carolina interviews included:

- The ability to sell loans on a secondary market was important for large banks and Fannie Mae lenders.
- A 10% to 20% loan loss reserve would not have as great an impact on interest rates and access to credit in the state as has been found in other markets.
- All institutions interviewed were concerned about the administrative burden of making small loans.

Review the North Carolina market assessment report: ***Expanding North Carolina Energy Efficiency and Renewable Lending Programs: Market Snapshot***.

Determine the process for soliciting proposals from prospective lending partners

As you begin to form relationships with potential lenders, you have likely refined your vision for what you want your program's financing services to look like. At this point, you are faced with two options:

- Enter into a formal partnership with a lender based on the broad parameters you have developed for your target audience's financing needs. Once your chosen lender is in place, finalize your **financing design decisions**.
  - Formalizing your partnership before finalizing all design decisions can facilitate collaboration as you establish a program structure.
- Continue to solidify your program design and make **financing design decisions** through informal processes. Then identify a lender who can meet your target audience's clearly articulated needs.
  - Options to solidify program design before identifying a lender can include holding pre-proposal workshops, issuing requests for information, or meeting individually with prospective lending partners.

Ultimately you will want to enter into a formal partnership (e.g., a contract or memorandum of understanding) with a lender to implement your financing activities. Most organizations that operate residential energy efficiency programs issue formal Requests for Proposals (RFP) to solicit, evaluate, and select lending partners. This process is typically used as a means to encourage market competition and might be required by your organization's procurement rules and procedures.

> ***Involving your lending partners in the decision-making process helps build confidence and a shared vision for the financing program***

An RFP, however, is not necessary in all situations. State regulations, local bylaws, or your organization's charter may define how you select a lending partner and enter into a contract with them. Your procurement rules may also allow a less rigorous process to select partners such as using a Request for Information (RFI) or Request for Qualifications (RFQ). Programs funded through federal funds, however, will in most cases need to issue a competitive procurement, typically in the form of an RFP.

If you determine that an RFP is necessary or preferable for your purposes, make sure it is detailed enough to evaluate the prospective candidates' likelihood of meeting the objectives of your program, but offers enough flexibility in approach to attract qualified candidates. At a minimum, the RFP needs to provide some flexibility to enable responders to suggest alternative structures that could meet the program goals while also achieving a more mutually beneficial arrangement.

Key Items to Include in Solicitations for Lending Partners

Key items to consider including in solicitations for lending partners are listed below. Do not develop the items for your solicitation in a vacuum; consultations with at least a few potential lenders will help you develop a solicitation that meets your program's needs and one that lenders understand and can respond to quickly with a proposal.

You will want to include background information about your program as well as requests for specific information from the lender. Make sure to define the prescribed format and content for proposals in response to the solicitation, and the rules, processes, and schedule that will lead to the selection of lenders.

Program background for you to include:

- Program summary and goals
- Existing program partners and their roles over the full program development and implementation period, as well as the roles you anticipate for the lending partner
- Available government funding and guidelines (if applicable)
- The target borrower market, the types of energy efficiency projects to be financed, and the economics of the projects
- Clean energy investment and lending volume targets

Items to ask lenders to respond to:

- Proposed structure and terms of the energy efficiency loans, including eligible borrowers, eligible projects, expected loan tenors, underwriting guidelines, and proposed loan terms
- Proposed structure of credit enhancements or revolving loan funds, including a risk-sharing formula
- Sources of capital and ability to attract additional sources of funds
- Financial stability of proposed lender and experience with residential energy efficiency loans
- Qualifications of the proposed lender's program manager, personnel, and support staff
- Proposed marketing and outreach plans and strategies to maximize loan applications

Regardless of whether you issue an RFP or negotiate directly with lenders to establish a formal partnership, you will need to create a scope of work that describes the functions to be performed by your lending partner (typically some combination of application processing, underwriting, origination, servicing, collections, data and cash management, and reporting). For each function, describe the inputs and outputs of the process and standards of service that establish expectations for end-to-end process timing and quality. In addition, the scope of work should request information on quality assurance related to loan administration so that you have confidence that loans will be managed properly.

See the **Examples** and **Toolbox** tabs of this handbook for examples and tools that can help you develop a scope of work and RFPs.

Evaluate proposals

After you issue a solicitation for a lending partner, the next task is to evaluate the proposals and select a lender. Best practice for evaluation of proposals is to develop a scoring sheet that provides members of the evaluation team with a method to rank the qualifications of bidders objectively.

In addition to your organization's standard qualification criteria, you should carefully evaluate the proposal for:

- Financial stability and experience of the responding lender
- Qualifications and adequacy of the proposed program manager and staff
- A detailed description of the functions that will be performed by the lender
- A detailed description of the process and why the process will be acceptable to contractors
- A detailed description of the IT and other systems that will support the process
- A description of the method of compensation
- Reporting capabilities
- Willingness of the lender to partner with you and commitment to allocate internal resources to support your program
- Quality control and quality assurance related to loan administration.

DOE has developed a **proposal evaluation sheet** that can help you rank the qualifications of bidders.

Negotiate and execute the lending agreement

Once you select a qualified lending partner(s), you can begin to negotiate, finalize, and execute a lending agreement.

The lending agreement should clearly specify:

- Functions to be performed by each party and the obligations and responsibilities of the party performing those functions
- If there is a government agency or department participating in the program, describe the role it will perform (e.g., fund a credit enhancement, establish eligible energy efficiency technologies, etc.)
- A description of the loan product, including underwriting and terms
- A description of the loan process, including origination, servicing, and funding
- Capital fund source(s), including revolving loan fund or investor capital
- The management of losses and credit enhancements (if any)
- The flow of capital among all program participants
- Details of how all parties will promote the product to consumers and who will play what roles
- Standards of service (response times, turnaround-times on processes, etc.)
- Reporting requirements of program performance metrics, such as quarterly loan applications and loans closed, and loan volume committed.

Resources for Negotiating and Executing a Lending Agreement with Lending Partners

The following are a few resources that your program may find useful as it works to negotiate and execute a lending agreement with lending partners. More resources are included on the **Examples**, **Toolbox**, and **Topical Resources** tabs of this handbook.

- ***Negotiating and Partnering With Financial Institutions***, developed by the University of North Carolina Environmental Finance Center for DOE, outlines potential partnership structures for energy efficiency program administrators and lenders and discusses strategies for negotiation and communication with lending partners.
- DOE's **loan loss reserve agreement template** demonstrates how to address the deposit and use of loan loss reserve funds.
- DOE's **program agreement template** addresses the full energy efficiency or renewable energy loan origination cycle.

- Michigan Saves' **Home Energy Loan Program Loan Loss Reserve Fund Agreement** is an example of a loss reserve fund agreement between an energy efficiency program and a lender setting the terms and conditions of the loan loss reserve fund.
- **City of Bainbridge Island's energy revolving loan fund and loan loss reserve RFP** is an example of an RFP to develop, administer, and promote a revolving loan program that will provide low-interest rate loans to residential and commercial customers.

Tips for Success

In recent years, hundreds of communities have been working to promote home energy upgrades through programs such as the Better Buildings Neighborhood Program, Home Performance with ENERGY STAR, utility-sponsored programs, and others. The following tips present the top lessons these programs want to share related to this handbook. This list is not exhaustive.

Engage with potential lending partners early, and make a clear business case for their involvement

Some lenders perceive home energy lending to be too risky or not profitable enough for them to get involved. Programs have found that engaging potential lending partners early in the program design process, especially in face-to-face meetings, helped them understand both lender needs and the risks and opportunities of different financing strategies. This approach allows programs to make the business case for lender involvement, which can include cross-selling other financial products; low default rates; and low customer acquisition costs.

- Since 2004, **Austin Energy** has fostered a **strong partnership** with Velocity Credit Union to offer residential energy efficiency and solar systems financing to its customers; first as a Home Performance with ENERGY STAR sponsor and then as a Better Buildings Neighborhood Program partner. Velocity Credit Union offers loans for upgrades to heating and cooling systems, Home Performance with ENERGY STAR whole home upgrades, and installation of solar electric and hot water systems. Velocity Credit Union has found that partnering with Austin Energy provides several compelling benefits, including low cost of customer acquisition for its other lending products and increased visibility through marketing and outreach. In addition, access to Austin Energy's rigorous quality assurance process ensures that loan-funded work is performed properly by qualified contractors. Between 2010 and 2013, Austin Energy's single-family and multifamily programs have resulted in the completion of more than 3,500 energy upgrades with an expected annual energy savings of over 20%, or about $2 million per year in savings for program participants. Between October 2012 and December 2013, 461 home energy loans were closed, totaling $3.8 million.
- When starting its home energy upgrade program in 2011, Los Angeles County (a government partner in **Energy Upgrade California**) engaged Matadors Credit Union (Matadors) to make a clear case for their involvement in the program. Energy Upgrade California partners with Matadors Credit Union (Matadors) to offer home energy loans to residents in all 58 of California's counties. Loans are offered at rates of 4.99% to 6.99% for 5 to 15 years in amounts ranging from $2,500 to $50,000. Investor owned utilities (IOUs) did not offer financing for residential customers participating in Energy Upgrade California at the time, so in 2011, Los Angeles County partnered with Matadors during a pilot project to offer their loan product, the Energy Loan. At first, Matadors was apprehensive about entering the residential energy loan market due to the perceived risk associated with home energy loans. To encourage their participation, Los Angeles County pitched the business case for home energy lending and created a loan loss reserve fund. The fund allowed the county to set aside 10% of the amount of each loan to reimburse the lender for 90% of the losses associated with any loans that defaulted. The county's goals were to develop a loan product that made it more feasible for homeowners to afford upgrades by allowing them to make payments over time, and to demonstrate that home energy lending can be low-risk and profitable for lenders. As of spring 2013, Matadors received over 600 loan applications, approved nearly 300, and saw only two of the funded loans go into default. While encouraged by early results, Matadors' staff stated that it was too early to draw conclusions about the long-term profitability of the loan product because similar programs had found that most losses occurred in the third and fourth years. Matadors continues to monitor and report the loan performance to Los Angeles County and share those results with DOE for future analysis.
- Early on, the **Local Energy Alliance Program** (LEAP) of Charlottesville, Virginia, had several conversations with the University of Virginia Community Credit Union (UVA CCU) to explain the benefits of their Home Performance with ENERGY STAR program and to convince credit union staff that the energy and cost saving potential for customers was real. The program infrastructure—such as eligible measures, a registered contractor network and the quality assurance policy—helped LEAP convince the credit union of the program's ability to generate consumer interest and demand for energy efficiency financing. The credit union moved forward on its own to establish the Green $ense loan option for participants in the LEAP program. Later, the credit union became a sponsor of the FHA PowerSaver loan with assistance from LEAP, but no formal relationship between LEAP and the credit union was established. As partners, LEAP and UVA CCU maintain open lines of communication; however, because they have not entered into a formal agreement relative to funding the program, LEAP does not receive data on loan activity from UVA CCU. Nevertheless, both parties have been very satisfied with their partnership to date. Said Alison DeTuncq, president and CEO of UVA CCU, "LEAP has proven to be an ideal partner for the Credit Union. We both share the fundamental goal of helping people save money and believe the best path to achieving this goal is through education and providing helpful tools to overcome barriers to take energy efficiency measures."

- The **New Hampshire Better Buildings program** developed an innovative partnership between its lender, New Hampshire CDFA, and utilities to offer home upgrade loans with on-bill repayment through the customer's utility bill. A tariff modification was also completed through the PUC to increase the maximum loan amount from $7,500 to $20,000. This resulted in an effective way to offer financing for more comprehensive upgrades. Between 2012 and 2014, the utility partnership resulted in 205 on-bill loans totaling nearly $1.3 million. Prior to the partnership, the average loan amount was $2,500. With the support of seed funding from the Better Buildings Neighborhood Program from 2010 through 2013, the average loan amount increased to $6,340, which was facilitated through the on-bill financing partnerships with New Hampshire's electric and gas utilities.

When partnering with lenders through a request for proposal (RFP), establish a clear process and remain flexible

Establishing strong, collaborative partnerships with one or more lending partners is critical for successful delivery of affordable home energy lending. These partnerships are typically created through a request for proposal (RFP) process which can encourage market competition and help to attract the most qualified lending partner(s) for a program. Several Better Buildings Neighborhood Program partners found that their RFP process for partnering with lending partners made it difficult to attract responses or found that the responses they received did not meet their needs. These programs often reported receiving few or no responses; some issued multiple rounds of RFPs before receiving responses that met their criteria. Other Better Buildings Neighborhood Program partners experienced fewer obstacles to forming relationships with lenders by making their RFPs detailed enough to evaluate a prospective lender's ability to meet the objectives of their programs, while also offering enough flexibility in approach to attract qualified lenders and enable lenders to suggest alternative structures that could help programs meet their goals.

- The **Southeast Energy Efficiency Alliance's** (SEEA) experience selecting lenders to be a part of a Regional Energy Efficiency Lending Program to support its consortium of regional programs began with a not so successful Request for Proposal (RFP) concept. SEEA initially thought that by issuing a RFP for several million dollars that it would receive multiple proposals from large banks with a regional footprint from which to choose from, but that was not the case. The program only received one proposal. SEEA took several months to regroup and elected to try a different approach. SEEA contracted with BLT Consulting to help negotiate and contract directly with smaller local credit unions, banks, and community development financial institutions to support select member programs. This approach proved to be much more successful. The one-on-one negotiations allowed the program to design lending programs and enter into agreements that were mutually beneficial to all parties (i.e., SEEA, lenders, and local programs). With the help of BLT Consulting, SEEA developed a standard template for contracts (i.e., lending agreements) that could be modified for each loan program. These contracts have the benefit of allowing the program to enforce specific elements of the program design when needed (i.e., having lenders adhere to credit score requirements). Also, the contracts allowed SEEA an explicit and direct way to pull back funding from underperforming lenders on a few occasions.
- To solicit lenders to participate in its residential energy efficiency program, **Energy Impact Illinois** (EI2), used a detailed RFP based on **model templates** provided by DOE. The RFP summarized the goals of the program, the requirements for energy efficiency upgrades, the financial expectations, and sample contract language. EI2's intent was to provide potential lenders with enough background on EI2's expectations for and requirements of the program, so the lenders could provide a response that met program needs and avoided lengthy and unproductive negotiations. EI2 also wanted to provide enough flexibility for respondents to propose innovative concepts or better solutions to program needs. To avoid considering projects that would not meet the program goals, the RFP and presentations at pre-bid conferences specified the requirements for what constituted an eligible upgrade project as well as the legal requirements ranging from historical preservation to reporting that respondents would need to satisfy, given that the project was utilizing ARRA funds as part of the Better Buildings Neighborhood Program. Furthermore, the RFP also included sample contract language around the particulars of loan loss reserves so that respondents would understand the requirements the program intended to impose. After lenders were chosen and during contract negotiations, lenders were provided with a proposed contract and asked to provide comments. Most of the financing respondents negotiated over specific details of escrow accounts and reporting requirements, but showed little pushback on the project eligibility or other programmatic details. Negotiations mostly moved quickly and with few significant barriers. All the contracts with program lenders included clear, time-framed deliverables in terms of quantity and amount of loans expected, and also included basic procedures for customers to access the program. Several of the financing programs fell far short of reaching their contractual lending volume. While the program had the option of terminating the contracts as a result, utilizing this option was far from ideal as it would clearly derail any forward progress for at least six months while contracts were terminated and new RFPs issued, not to mention generate a cascade of changes to marketing, communications, and other efforts. In retrospect, EI2 believes introducing additional incentives for performance or penalties short of termination for non-performance would have been helpful. EI2 also believes it would have been helpful to specify more definitive standards for customer service, availability of staff to process loan applications, and mandatory timeframes for reviewing and approving or denying applications.

Examples

The following resources are examples from individual residential energy efficiency programs, which include case studies, program presentations and reports, and program materials. The U.S. Department of Energy does not endorse these materials.

Case Studies

Austin's Home Performance with ENERGY STAR Program: Making a Compelling Offer to a Financial Institution Partner (369 KB)
Author: Lawrence Berkeley National Laboratory
Publication Date: 2011
This policy brief describes how Austin Energy's Home Performance with ENERGY STAR program worked with its lending partner, Velocity Credit, to originate almost 1,800 loans, totaling approximately $12.5 million.

Strategic Financing Partnerships Help Jacksonville Program Take Loans From Buydown to Uptake
Author: U.S. Department of Energy
Publication Date: 2012
Find out how JEA successfully increased interest in its low-interest loan program beyond a short-term incentive.

Alternative Underwriting Criteria: Using Utility Bill Payment History as a Proxy for Credit: Case Study on Clean Energy Works Oregon (now Enhabit) (340 KB)
Author: Lawrence Berkeley National Laboratory
Publication Date: 2012
Highlights a Clean Energy Works Oregon (now Enhabit) program that provides outreach, education, incentives, and low interest, on-bill financing. Using alternative underwriting practices, Clean Energy Works Oregon (now Enhabit) has achieved a rejection rate of just 10% while also maintaining a low loan default rate.

Using Credit Enhancements to Leverage Existing CDFI Capacity: Indianapolis EcoHouse Project Loan Program
Author: Lawrence Berkeley National Laboratory
Publication Date: 2012
Highlights the EcoHouse Project Loan Program, which provides fixed interest rate loans as a tool for enabling energy improvements among households that are otherwise unlikely to be able to access affordable financing at market rates.

Energy Efficiency Finance: New Horizons in the Southeast (5 MB)
Author: U.S. Department of Energy
Publication Date: 2012
Case study highlighting the home performance lending program spearheaded by local utility JEA and JaxMetro Credit Union in Jacksonville, Florida. This program is one of the most successful in the Southeast Energy Efficiency Alliance's Community Consortium.

Better Buildings Residential Network Case Study: Partnerships
Author: U.S. Department of Energy
Publication Date: 2015
This case study interview shares how GTECH (Growth Through Energy and Community Health) Strategies, a Better Buildings Residential Network member, developed and maintains strong strategic partnerships with trusted local companies and organizations to meet a shared goal of completing 100 home energy upgrade projects.

Program Presentations & Reports

Request for Proposals for Energy Efficiency Loan Products (443 KB)
Author: Dan Curry, BetterBuildings for Greensboro
Publication Date: 2011
This presentation provides an overview of the lending RFP issued by the city of Greensboro's Better Buildings Program, including a description of the roles and responsibilities for the city and its financial partners.

Program Materials

Sample RFP: City of Independence, Missouri
Author: City of Independence, Missouri
Publication Date: 2010
A sample competitive procurement procedure to award loan loss reserve funds to a financial institution partner.

Sample RFP: Greensboro Energy Efficiency Loan Products **(487 KB)**
Author: BetterBuildings for Greensboro
A sample RFP from Greensboro, North Carolina, for energy efficiency loan products.

Sample RFP: City of Bainbridge Island Energy Revolving Loan Fund/Loan Loss Reserve Administration **(127 KB)**
Author: City of Bainbridge Island, Washington
Publication Date: 2010
A sample request for proposals from Bainbridge Island, Washington, related to establishing a revolving loan fund and loan loss reserve.

Sample RFP: Energy Efficiency and Renewable Energy Rebate Program **(159 KB)**
Author: EnergySmart
Publication Date: 2010
A sample request for proposals from Boulder County, Colorado, to develop an energy efficiency and renewable energy rebate program.

Home Energy Loan Program Loan Loss Reserve Fund Agreement **(2 MB)**
Author: Michigan Saves
Publication Date: 2013
This loan loss reserve fund agreement sets the terms and conditions of the loan loss reserve fund between Michigan Saves and partnering lenders.

Sample RFP: Energy Efficiency Credit Enhancement Grant **(230 KB)**
Author: State of Washington Department of Commerce
Publication Date: 2009
A sample request for proposals from Washington state to develop an energy efficiency credit enhancement grant program.

Massachusetts HEAT Loan Participating Lenders List
Author: Mass Save
Publication Date: 2012
A comparative list of lenders participating in the Mass Save HEAT Loan Program and the terms and conditions of the loans that they offer.

Toolbox

The following resources are available to help design, implement, and evaluate possible activities related to this handbook. These resources include templates and forms, as well as tools and calculators. The U.S. Department of Energy does not endorse these materials.

Templates & Forms

Financing Program Goals and Design Template Presentation Deck **(818 KB)**
Author: U.S. Department of Energy
Publication Date: 2011

Template for program administrators to fill out to help determine the goals and design of financing activities.

DOE Template Financial Institution RFP
Author: U.S. Department of Energy
Publication Date: 2010

A template competitive procurement procedure to award loan loss reserve funds to a financial institution partner.

DOE Template Loan Loss Reserve Agreement
Author: U.S. Department of Energy
Publication Date: 2010

A template agreement demonstrating how to address the deposit and use of loan loss reserve funds.

DOE Template Program Agreement
Author: U.S. Department of Energy
Publication Date: 2012

A template agreement that addresses the full energy efficiency or renewable energy loan origination cycle.

Preliminary/Sample Residential Energy Efficiency Loan Term Sheet and Underwriting Criteria **(40 KB)**
Author: Energy Efficiency Finance Corp.
Publication Date: 2014

Provides a sample or preliminary term sheet for single family residential energy efficiency loans that can provide a basis for discussions and negotiations with prospective lending partners.

Proposal Evaluation Scoring Sheet
Author: U.S. Department of Energy

Example proposal evaluation scoring sheet to rank qualifications of financial institution bidders for energy efficiency upgrade loan programs.

Tools & Calculators

None available at this time.

Topical Resources

The following resources provide additional topical information related to this handbook, which include presentations, publications, and webcasts. Visit **Examples** for materials from and about individual programs.

Topical Presentations

Approaching Financial Institutions **(1013 KB)**
Author: Matthew Brown; Harcourt Brown & Carey; John MacLean; Energy Efficiency Finance Corporation
Publication Date: 2010

Tips for recruiting and procuring financial partners and developing and negotiating financial partner agreements.

Negotiating and Partnering with Financial Institutions **(559 KB)**
Author: Jeff Hughes; Environmental Finance Center at The University of North Carolina at Chapel Hill
Publication Date: 2011

Outlines potential partnership structures for energy efficiency program administrators and financial institutions, and discusses strategies for negotiation and communication with financial partners.

Publications

DOE State and Local Solution Center: Financing for Energy Efficiency and Renewable Energy
Author: U.S. Department of Energy
Publication Date: 2015

Provides tactical information on financing program key elements and descriptions of financing program types by market sector for state and local governments working to set up financing programs.

Clean Energy Financing Programs: A Decision Resource for States and Communities
Author: U.S. Environmental Protection Agency
Publication Date: 2011

Helps state and local governments design the appropriate finance programs for their jurisdiction. It describes financing program options, key components of these programs, and factors for states and communities to consider as they make decisions about getting started or updating their programs.

Energy Efficiency Financing Program Implementation Primer
Author: State and Local Energy Efficiency Action Network
Publication Date: 2014

This report provides an overview of considerations for designing and implementing successful energy efficiency financing programs for existing buildings in the residential and commercial sectors. Information on key issues related to energy efficiency financing programs, guidance to existing resources that provide more in-depth financing program design and implementation information, and strategies for delivering broad customer access to attractive financing products that enhance customer capacity and willingness to invest in energy efficiency to address "first cost" barriers are included.

Engaging Small to Mid-Size Lenders in the Market for Energy Efficiency Investment: Lessons Learned from the ACEEE Small Lender Energy Efficiency Convening (SLEEC)
Author: American Council for an Energy-Efficient Economy
Publication Date: 2014

This paper presents obstacles to increasing lender and consumer participation in energy efficiency financing identified by a group of small to mid-size lenders, and offers recommendations to the energy efficiency community to foster growth in the market for energy efficiency financing.

Webcasts

Engaging Financial Institution Partners
Presentation, **Media**, **Transcript**
Author: U.S. Department of Energy
Publication Date: 2011

This webcast provides guidance about the financial stakeholder engagement process and offers lessons from the field.

Community Development Finance Institutions: Opportunities for Partnerships with Energy Efficiency Programs
Presentation, Media, Transcript
Author: U.S. Department of Energy
Publication Date: 2011

This webcast highlights opportunities for community development finance institutions to partner with energy efficiency programs.

Financing Programs: RFP & Contract Terms and Conditions
Presentation, Media, Transcript
Author: U.S. Department of Energy
Publication Date: 2011

This webcast discusses financing program RFPs and contract terms and conditions.

Pennsylvania's Keystone HELP Program
Presentation, Media, Transcript
Author: U.S. Department of Energy
Publication Date: 2010

This webcast presents Pennsylvania's Keystone HELP program as a case study for successful public/private partnerships for consumer energy efficiency financing.

Energy Efficiency and Conservation Loan Program Webinar Series: #4 Residential Energy Efficiency Deep Dive, Part Two
Presentation, Media, Transcript
Author: U.S. Department of Agriculture; U.S. Department of Energy
Publication Date: 2014

This webinar is the fourth (in a series of six) hosted by USDA Rural Utility Service (RUS) and focusing on the Energy Efficiency and Conservation Loan Program (EECLP). The second in a two-part series, this webinar shares best practices from the more than 40 competitively selected state and local governments who participated in the U.S. Department of Energy's Better Buildings Neighborhood Program. This webinar focuses on data collection and continuous improvement, partnering with financial institutions, community-based outreach, and quality assurance of contractor work. It also features a case study from Jackson Electric Member Corporation about their audit tools, rebates and loans, tracking and reporting, and marketing and advertising strategies.